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DIRECTORATE OF
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Intelligence Report

The Situation in South Vietnam (Weekly)

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(10 April - 16 April 1967)

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I. POLITICAL SITUATION

The official field of civilian presidential contestants widened last week, when Dai Viet party leader Ha Thuc Ky formally announced his candidacy. Meanwhile, there were no significant developments bearing on the selection of a military candidate for president.

The Constituent Assembly reelected Phan Khac Suu as its chairman. Somewhat sidetracked recently by various incidents, it hopefully will settle down this week to draft an electoral law for the upcoming national elections.

As election maneuvering intensified, there are indications that divisions within the Catholic community are likely to persist.

Political Developments

1. A fourth civilian, Revolutionary Dai Viet party leader Ha Thuc Ky, formally announced his long-expected presidential candidacy last week. Ky will be running as the official candidate of the Dai Viets, a nationalist party whose major area of strength is the two northernmost provinces of Quang Tri and Thua Thien. Ky has not yet designated a vice presidential running mate, although he indicated that he hoped to pick a southerner. He acknowledged that he had already approached Southern Buddhist Studies Association leader Mai Tho Truyen and former economy minister Au Truong Thanh, but that neither was interested.

2. Ky's stature as a serious presidential contender is somewhat questionable in view of his rather limited popular base. The US Embassy feels that Ky may hold out for several months as the Dai Viets' "favorite son," and then agree to become the vice presidential candidate on another slate. Ky has strongly denied rumors to this effect. Since assembly

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chairman Phan Khac Suu is the only presidential contestant thus far to have picked his vice presidential running mate, there is considerable room for maneuvering among various aspirants. It is thus possible that the field of civilian contestants may narrow as the campaigning progresses. One factor which may influence the eventual size of the field is the electoral law to be drafted by the Constituent Assembly. The law will determine the popular plurality or majority required to elect a president.

3. Meanwhile, there have been no recent reports of significant developments bearing on the selection of a military candidate for president. Chief of State Thieu's activities have been temporarily restricted because of his appendectomy on 10 April. Premier Ky in a conversation [redacted] on 11 April stated that he planned to continue his efforts to form an anti-Communist political front, even though a military candidate for president has not yet been chosen. Ky claimed that nationalist political party leaders and elders of the Hoa Hao and Cao Dai religious sects had approached him about the formation of such a front. He also referred to the participation of such other prominent leaders as retired general Tran Van Don, former premier Phan Huy Quat, and moderate Buddhist leader Thich Tam Chau.

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4. Ky also indicated that some of the influential generals were becoming impatient with Chief of State Thieu for failing to come to a decision on whether to run for president. According to Ky, generals who favor his own candidacy have tried to persuade Thieu to step aside. In the future, Ky declared, they will pressure Thieu further by showing him the results of polls that illustrate Ky's relative popularity among various elements of the population.

Constituent Assembly Developments

5. Phan Khac Suu was reelected chairman of the Constituent Assembly on 14 April, pulling a wide majority in contrast to his narrow margin last fall. The election of other assembly officers continued on the 15th and should be completed during the session of 17 April. The newly elected officers in general do not

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appear, on the basis of preliminary evidence, to represent any specific bloc or political group, but they seem to be the deputies who proved most capable during the drafting of the constitution.

6. The Democratic-Alliance Bloc, the largest in the assembly and considered to be progovernment, was unsuccessful in attempts to win the chairmanship of either the assembly or the election law drafting committee. The newly elected leader of the press regulations committee, however, is a Democratic-Alliance member as well as an ARVN lieutenant. A lawyer close to prominent assemblyman Phan Quang Dan won as the chairman of the strategic election law drafting committee, which is tasked with spelling out the regulations governing the screening of candidates, the length of campaigns, and the facilities available to the candidates.

7. The Constituent Assembly got off to a slow start in fulfilling its responsibility for drafting an electoral law, which government leaders hope will be completed by the end of the month. The assembly was first sidetracked by a flurry of criticism, mostly led by militant Catholic clerics, over the deletion of a reference to the "Supreme Being" in the constitution. After apparently settling this problem without actually rewording the constitution, the assembly became involved last week in dispatching 33 delegates to I Corps to investigate the security situation in the DMZ area of Quang Tri Province.

Catholic Politics

8. Divisions within the Catholic community are likely to persist in the coming period of election maneuvering. Recent demonstrations against the constitution were led by Father Tran Du's Catholic Citizens Bloc (CCB) without the participation of the (Catholic) Greater Solidarity Forces. Moreover, it appears to be government policy to encourage an internal split.

9. Father Tran Du's CCB was the foremost Catholic political organization last year through the precampaign period for Constituent Assembly elections. The

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bloc's prestige was, however, damaged by the government's refusal last August to accede to Father Du's demand for the release of Can Lao prisoners--the political elite of the Diem regime--as a price for participation in the elections. As a means of regaining a position of political prominence, the clerical leaders of the CCB have seized upon the issue of the deletion of references to the "Supreme Being" in the preamble of the constitution to demonstrate the need for greater Catholic vigilance.

10. Although the political demands of the CCB were being rebuffed by the government prior to assembly elections last fall, the Greater Solidarity Forces--a Catholic organization led by laymen--tended to emphasize a lesser role for priests in political affairs. This attitude was encouraged by a special Papal envoy who visited Saigon last fall, and it generally appears to be favored by most Vietnamese Catholics. More recently, Greater Solidarity Force leaders have appeared amenable to an alliance with non-Catholic groups and have taken a more moderate stance than the CCB on the issue of including a reference to the "Supreme Being" in the constitution.

11. The government's relations with these two Catholic groups have generally depended upon immediate political issues and upon a desire to prevent the emergence of a unified Catholic political force capable of challenging the military. Last summer, government elements aided Father Tran Du to form the CCB and later to oust Father Hoang Quynh, who had sided with the Buddhists against the government during the latter stage of the "struggle movement." After the CCB was rebuffed last fall, the Greater Solidarity Forces apparently enjoyed the government's favor, and reportedly have received some financial support from the government during the past six months.

12. Now, however, there are several indications that the government supported the CCB's demonstrations against the constitution, signifying a shift to

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cooperation with the CCB once more. In the meantime, the government's relations with the Greater Solidarity Force apparently have cooled. Greater Solidarity Force leaders now appear to be favoring Tran Van Huong for president, although initially they were strong backers of Premier Ky, a fellow northerner.

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II. REVOLUTIONARY DEVELOPMENT

The joint US and South Vietnamese search-and-destroy Operation FAIRFAX has improved security in portions of Gia Dinh Province, but inroads have yet to be made against the Communist infrastructure and Revolutionary Development (RD) has not yet taken hold. In Kien Phong Province the prospects for significant progress in 1967 are not promising. The Hoa Hao - dominated provincial government has shown little enthusiasm to date for RD or any other civil or military activity that could disturb an apparent government-Viet Cong stalemate in the province.

Disposition of Revolutionary Development Teams

1. The map on the opposite page shows the disposition of Revolutionary Development (RD) teams and Truong Son (montagnard) teams in the provinces of South Vietnam. In addition, the strength in each corps of these teams and of the Static Census Grievance cadres is given.

Operation FAIRFAX Impact on RD in Gia Dinh Province

2. Communist activities on the outskirts of Saigon in surrounding Gia Hinh Province were threatening to get beyond government control last fall and, to counter enemy inroads into the area, Operation FAIRFAX was initiated. Classified as a search-and-destroy operation, FAIRFAX since its inception on 30 November 1966 has deployed six battalions--three US and three ARVN--in three districts of Gia Dinh Province--Thu Duc, Nha Be, and Binh Chanh--which are east and south of the city of Saigon. The objective of the operation is to restore local security to a level that can then be maintained by the Regional Forces (RF), Popular Forces (PF), and National Police (NP), who will provide the security screen for Revolutionary Development. The US and

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ARVN battalions employ a "buddy" system that is designed to improve the training and effectiveness of ARVN troops. In addition, the US battalions have undertaken the mission of improving the training of RF/PF units and the renovation of their facilities. Although the withdrawal of US forces from the operation was planned for 9 February 1967, it has become necessary to extend both US participation and the operation itself for an indefinite period.

3. To coordinate US and South Vietnamese activities, two mechanisms are being used. An all-source Combined Intelligence Center (CIC) has been established in each of the districts to permit representatives from US and Vietnamese intelligence organizations to collect, process, and disseminate intelligence. Additionally, each district has an Area Security Coordinating Center (ASCC) for coordination of military operations and civilian activities. The ASCC comprises the district chief, the US and ARVN battalion commanders, the US military district adviser, and the district representative from the US Mission's Office of Civil Operations.

4. In Thu Duc District, there has been no marked change to date in over-all security, but US observers feel that the psychological climate has improved. The increased feeling of security has facilitated work in one of the two Ap Doi Moi ("Real New Life Hamlets") now being developed, and has permitted a somewhat greater civilian effort in the district. Considerable skepticism apparently exists, however, among the residents of the district as to how long the troops will stay, and this skepticism must still be overcome before permanent RD activities can begin and take root. To date, the Communist infrastructure reportedly has not been affected by the operation.

5. Allied troop operations in Thu Duc District have been conducted on the "buddy" basis, with US and ARVN units paired down to squad level; RF/PF forces have been integrated with US units on all types of operations.

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6. Prior to the initiation of Operation FAIRFAX, the security situation in Nha Be District was considerably better than in Thu Duc and Binh Chanh districts. Since the initiation of the operation, security has continued to improve in Nha Be, but no significant gains have been made in penetrating and eliminating the Viet Cong infrastructure.

7. The increased security in Nha Be has apparently given an added thrust to the RD effort. More projects and activities are being undertaken throughout the district, and plans are under consideration for a more ambitious Ap Doi Moi program and for the placement of additional RD teams in the district this year.

8. In Binh Chanh District, the improvement in security has been characterized as dramatic by US observers. The US and ARVN battalions have maintained an aggressive military posture, and there has been a marked reduction in enemy-initiated incidents.

9. There has been, however, no significant penetration of the Communist infrastructure in Binh Chanh. As in Thu Duc and Nha Be, it appears that important elements of the infrastructure, except possibly for covert elements, have left their normal residences and are waiting for the operation to terminate before returning.

10. The improved security in Binh Chanh District, however, has had a direct effect on RD Developments. In the southern part of Binh Chanh approximately 800 refugees have returned to their original homes and have asked the government to authorize the reopening of their rice mills. Communications routes have been reestablished and the general economic life of the area has been rejuvenated. Largely as a result of Operation FAIRFAX, the Ministry of Revolutionary Development has authorized additional RD teams for Binh Chanh District. The new teams, when assigned, will probably work in hamlets located in or contiguous to the recently cleared southern portion of the district.

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11. Generally, the US units in Operation FAIRFAX have established good rapport with rural inhabitants, and have actively engaged in civic action projects. Although association with US military units has heightened the military performance of the ARVN units (two airborne and one ranger battalion), the ARVN units have not extensively committed themselves to civic action projects. Since many of the residents of the three districts probably live as well as or better than ARVN dependents, the government soldiers probably see little compelling reason or need to assist the local farmers and villagers. This possible deterrent to ARVN civic action may be further reinforced by problems of leadership, discipline, and lack of resources, as well as by the fact that the government units engaged in the operation are considered the "elite" of the ARVN combat forces.

12. The National Police and the Police Field Forces (PFF) have not participated in the operation to the extent anticipated. To the extent that the PFF have been taken from static defensive roles and used in the operation, they have worked fairly well with US forces, but they have not had the same success in operating with ARVN units.

13. The RD program in these three districts of Gia Dinh is now in a stronger position than it was in November 1966. Nevertheless, the ambivalent attitude of the people and their reluctance to give information that would enable the Viet Cong infrastructure to be uprooted is one disappointing feature. Moreover, although additional RD teams are planned for the operational area of FAIRFAX, Gia Dinh Province sent no one to the last training class at Vung Tau. In short, security has improved, but RD has not yet taken hold.

RD and Security in Kien Phong Province

14. In Kien Phong Province, Revolutionary Development made little headway during 1966, and in the light of innumerable problems encountered over the year the prospects for significant progress in

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1967 are not promising. The Hoa Hao - dominated provincial government has shown little enthusiasm to date for RD or any other military or civil activity that could disturb the apparent government - Viet Cong stalemate.

15. The majority of the estimated 300,000 people in the province are concentrated in a narrow strip along the left bank of the Mekong River from Cambodia to the Dinh Tuong Province border. A reported minimum of 220,000 people are under some degree of government control, but the Viet Cong control four of the five districts apart from the main population centers. The only district considered largely under government control is Cao Lanh, where the provincial capital and the headquarters of the 13th Regiment/9th Division (ARVN) are located.

16. Interprovincial Route 30, which runs through the populous strip near the Mekong, is generally secure and provides access for civilian traffic to the four district capitals that enjoy partial security.

17. According to MACV's OB, there is an enemy force of approximately 5,275 in the province. This force is divided into 920 combat personnel (the 502nd Provincial Battalion, four district companies, and one district platoon), 870 administrative service personnel, 2,720 irregulars, and 765 political cadre numbers. The Viet Cong infrastructure is reportedly so well entrenched that government officials are unable and unwilling to move against it.

18. The Viet Cong move freely to and from Cambodia where the headquarters of Viet Cong Region 2 is reportedly located. The Plain of Reeds (Dong Thap Muoi) extends into a large part of Kien Phong Province and offers the Communist forces a further degree of refuge. On occasion, Viet Cong main force battalions pass through or rest in Kien Phong, but normally do not undertake operations there.

19. The Viet Cong appear satisfied with their military posture in the province, they maintain a fairly constant rate of harassment, both to remind the population of their presence and to preclude attempts by the

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government to extend its influence. The Viet Cong of late have been conducting a major tax collection and food gathering effort in the province.

20. The government forces in Kien Phong include one to three battalions--as needed--of the 13th Regiment, 23 Regional Force (RF) companies, 87 Popular Force (PF) platoons, and 8 Civilian Irregular Defense companies (CIDG). The RF, PF, and CIDG total approximately 7,500 troops. At least eight of the RF companies and a large portion of the CIDG troops are Hoa Hao, many of whom were recruited from An Giang Province. Kien Phong Province has some artillery for fire support, but the weapons provide only spotty coverage, and leave the VC a fair amount of territory in which they can move safely.

21. Primarily because of the problems of adjusting to a provincial advisory role assumed in late February, the US Special Forces in Kien Phong have not yet actively prodded the Vietnamese to assume a more aggressive posture. In the past, relations between the US/Vietnamese special forces and the provincial government have been cool.

22. The province chief, Lieutenant Colonel Cuong, has been in office for three years and his tenure in this position is unmatched in IV Corps. A native of the province and a Hoa Hao, he exhibited little interest in RD until after a visit in February of this year by the RD minister, General Thang, under whom he had served some years ago. Cuong's disinterest, or lack of faith, in RD is broadly shared among the Hoa Hao sect, which comprises from 28 to 40 percent of Kien Phong's population and generally dominates the province's administration.

23. The RD chief in the province is a relative of the province chief--as are the three members of the Cadre Management Board--and reportedly is a hard worker; however, he appears more interested in economic development projects than in the work of the RD teams. Other local officials associated with the RD workers have shown little interest in their jobs.

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[REDACTED]

24. [REDACTED] the province's pacification goals for 1966 were too ambitious. Provincial authorities rushed the RD teams through the 39 target hamlets and then proclaimed 75 percent of the 1966 goals completed,--in full awareness that 75 percent was the minimum they had to accomplish on paper to satisfy their superiors. [REDACTED]

[REDACTED] the new 11-point criteria for Ap Doi Moi may prove even more complex and difficult for the teams in the province to achieve than were the 1966 six-point criteria, which most teams were unable to implement satisfactorily.

25. No part of Kien Phong Province lies within a 1967 National Priority Area, but the entire province is classified as a priority area for offensive military operations. The 1967 RD effort will probably be concentrated in Cao Lanh and adjacent Thanh Binh district. RD worker resources as of 1 March were five RD teams--with a strength of 292--and 147 Static Census Grievance Cadres operating in 135 hamlets.

26. Partly because the program is still relatively new, the RD teams in Kien Phong have encountered deficiencies in personnel, technical competence, and defensive ability. As in many other provinces, effective communication is lacking between the technical cadres and the provincial technical services. Many of the cadre members are young and inexperienced, and will require both time and proper leadership to develop into effective teams. If support for RD from the provincial leadership continues to be as ineffective as in the past, or if the Viet Cong mount a concerted effort against the program, the RD effort in Kien Phong may continue to vacillate and never really take root.

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III. ECONOMIC SITUATION

Price data for the week ending 10 April have not yet been received. Throughout March and during the first week of April the supply of pork in Saigon continued to be abundant, although several signs point to a possible shortage in the next few months. Paddy prices in the delta have declined concurrently with the decrease in the retail price of rice in Saigon. Rice deliveries from the delta to Saigon during March were almost double those of February, but were below deliveries for March 1966. Consumer prices in the provinces declined slightly from mid-February through mid-March, but remained considerably higher than in mid-January. (Graphs on monthly economic indicators are included in the Annex.)

Pork Situation

1. Throughout March and during the first week of April the supply of pork in Saigon continued to be abundant, although several indications point to a possible shortage in the next few months. Arrivals of live hogs from the provinces to the Saigon slaughterhouse averaged more than 12,000 per week from late January until 20 March, compared with Saigon's reported normal consumption of 10,000 hogs per week. During 20-29 March the government slaughterhouse was closed so that imported frozen pork could be marketed without depressing retail prices. Fresh pork was freely available through black market channels, however, and prices did in fact decline during those ten days. The retail price of pork bellies had held steady at 150 piasters per kilogram for three weeks prior to the sale of the frozen pork, but dropped to 120 piasters on 20 March. By 3 April, when frozen pork was no longer on the market, the price of pork bellies returned to 150 piasters. Once the slaughterhouse was reopened, hogs again began arriving in substantial numbers.

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2. There are several disturbing factors in the pork situation at present which indicate a possible shortage of domestic pork supplies in the future. The embassy believes that the major reason for the current abundance of fresh pork is that the large-scale producers are caught in a cost-price squeeze and are selling off stocks in order to avoid losses. The price of rice bran, which constitutes the main hog feed, has increased along with the price of rice, while hog prices in the producing areas have remained low. The ratio of live hog price to feed cost has gone as low as five to one, whereas a favorable ratio is nine to one. In addition to the cost-price squeeze, military operations in the delta may also be reducing the number of hog farmers, as evidenced by a considerable number of breeding sows arriving at the Saigon slaughterhouse.

3. The frozen pork marketed during 20-29 March reportedly amounted to 220 tons of the total shipment of 1,500 tons that the GVN had imported from Argentina. The imported pork, which arrived at the end of February, was intended to provide a reserve stock sufficient to regulate supplies on the market. The embassy reports that the GVN Office of Supply apparently has not made firm arrangements concerning the storage of the remainder of the shipment but hopes to store 300 tons in Da Nang and the rest in cold-storage facilities owned by the French bottling plant in Saigon.

Delta Rice Prices and Deliveries

4. Paddy prices in the delta have declined concurrently with the decrease in the retail price of rice in Saigon. In addition, paddy rices probably are being influenced by the GVN decision to purchase delta rice in Saigon at a price that will yield only 12.5 piasters per kilogram for paddy in the delta, according to US Embassy calculations. On 29 March the price of high-quality "soc nau" paddy in My Tho was 13.5 piasters per kilogram compared with 20 piasters earlier in the month. In Long Xuyen, the price of red paddy was also 13.5 piasters per kilogram on 29 March compared with 18 piasters on 20 March.

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5. As a result of increased deliveries at the end of March, rice deliveries from the delta to Saigon during the month totaled 32,600 tons, or almost double those of February. In spite of this increase, however, deliveries during March were 5,400 tons below those of March 1966, and deliveries for the first quarter of 1967 totaled only 79,000 tons compared with 94,700 tons during the corresponding period of 1966.

Provincial Prices

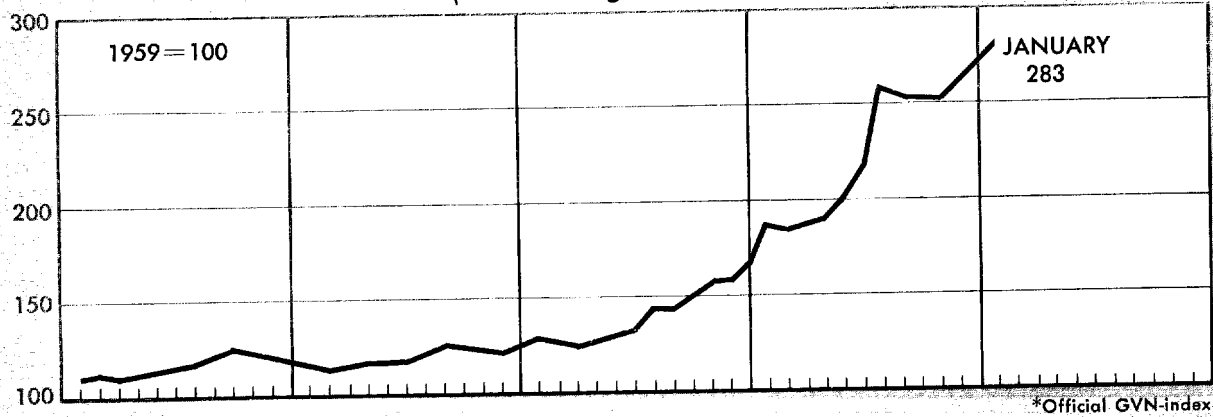
6. Regional consumer prices declined by an unweighted average of two percent from mid-February through mid-March, but remained an average of 16 percent higher than in mid-January, according to incomplete reporting from the provinces. The slight over-all drop followed the Tet holiday period when prices traditionally are high. The price decline was greatest in Region II, where the index fell by eight percent. In Region III and IV, prices declined by about three percent. On the other hand, prices in Region I rose by three percent from mid-February to mid-March, or about the same increase shown in the Saigon consumer price index for this period. In both areas, higher prices for rice were major factors. As of mid-March, prices in Regions I and III remained well above those of Saigon. Prices in Region IV still were below those of Saigon, and prices in Region II dropped below those of Saigon for the first time since last June.

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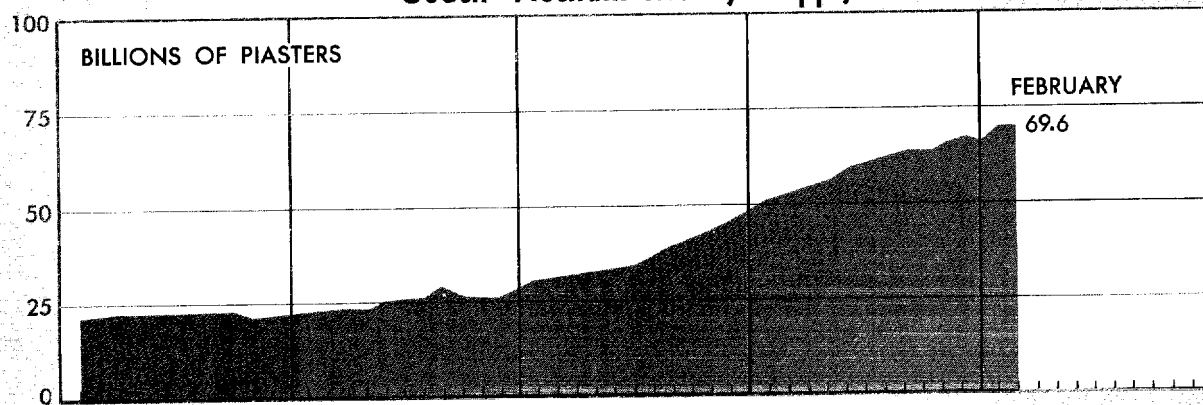
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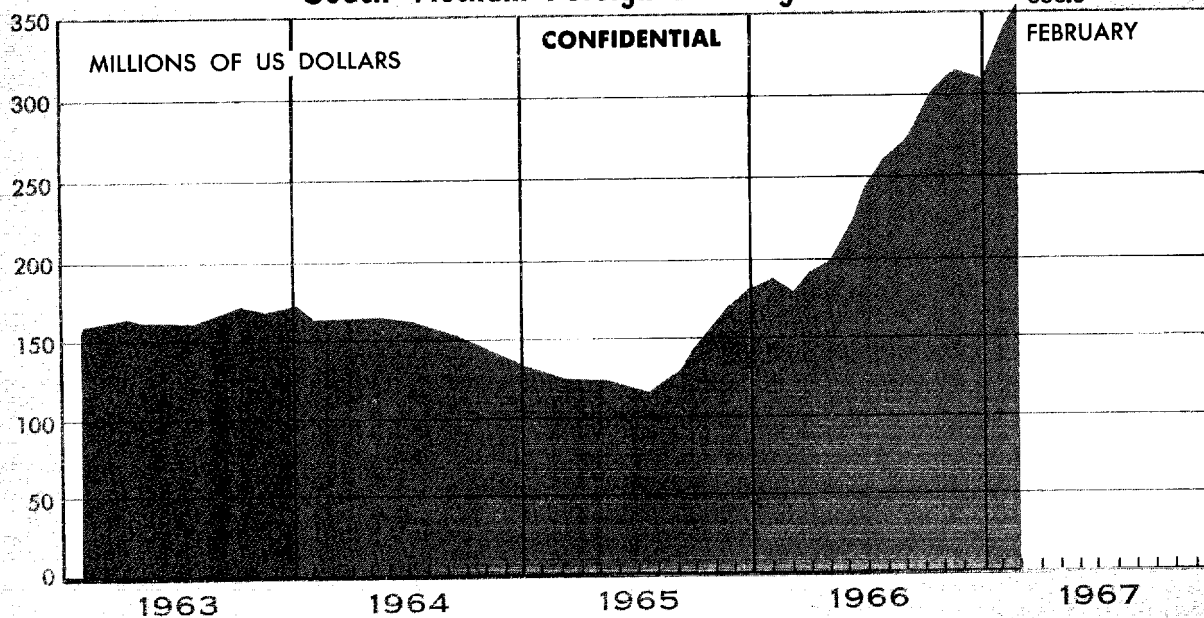
Saigon Cost of Living Index* (For Working Class Family)



South Vietnam Money Supply



South Vietnam Foreign Exchange Reserves



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